

CITY OF SHELLSBURG, IOWA

**INDEPENDENT AUDITOR'S REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2010

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CITY OF SHELLSBURG

OFFICIALS

| <u>NAME</u> | <u>TITLE</u> | <u>TERM EXPIRES</u> |
|-----------------|----------------|---------------------|
| Phillip Travis | Mayor | January 2013 |
| Dave Galli | Council Member | January 2013 |
| Tim Peters | Council Member | January 2013 |
| Michael Glynn | Council Member | January 2015 |
| Sharon Heneghan | Council Member | January 2015 |
| Daniel Pence | Council Member | January 2015 |
| Nancy Deklotz | City Clerk | Indefinite |
| Donald Hoskins | Attorney | Indefinite |

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

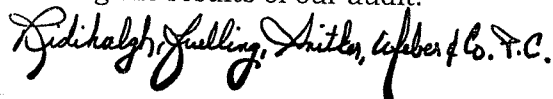
We have audited the accompanying Schedule of Expenditures of Federal Awards for the City of Shellsburg's Highway Bridge Replacement and Rehabilitation Program Project for the year ended June 30, 2010. This schedule is the responsibility of the City of Shellsburg's management. Our responsibility is to express an opinion on the schedule of the program based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, this schedule was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the Schedule of Expenditures of Federal Awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the City of Shellsburg's Department of Transportation Highway Bridge Replacement and Rehabilitation Program project on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

January 12, 2011

City of Shellsburg
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

| Grantor/Program | CFDA Number | Agency Pass-through Number | Program Expenditures |
|------------------------------------|----------------|----------------------------------|-------------------------|
| Indirect: | | | |
| U.S. Department of Transportation: | | | |
| Iowa Department of Transportation | | | |
| Grant Agreement Number: | 20.205 | 6-08-HBRR-05 | \$ 571,122 |
| Project Number: | | BROS-6962(602)--8J-06 | |

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Shellsburg and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

See accompanying independent auditor's report.

CITY OF SHELLSBURG

Notes to Schedule of Expenditures of Federal Awards

June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Shellsburg is a political subdivision of the State of Iowa located in Benton County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

The Schedule of Expenditures of Federal Awards includes only the program disbursements of the City's Highway Bridge Replacement and Rehabilitation Program project used in the construction of a bridge over Bear Creek on Canton Street.

B. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Shellsburg and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

C. Basis of Accounting

The City of Shellsburg maintains its financial records on the basis of cash receipts and disbursements and the Schedule of Expenditures of Federal Awards is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the Schedule of Expenditures of Federal Awards is not presented in accordance with U. S. generally accepted accounting principles.

(2) Federal Awards

The City of Shellsburg underwent the re-construction of the Canton Street bridge over Bear Creek beginning in 2009. The total project was estimated to cost about \$778,000. The City received reimbursement for costs of authorized and approved project activities from the Highway Bridge Program funds. The eligible project costs reimbursed by the funds were limited to a maximum of 80% of eligible costs or \$1,000,000, whichever was less. For the year ended June 30, 2010, a total of \$524,690.33 was reimbursed through the Iowa Department of Transportation to construct the bridge.

Independent Auditor's Report on Compliance with Requirements
Applicable to the Federal Program and on Internal Control over Compliance
in Accordance with the Program-Specific Audit Option Under OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Shellsburg, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to the Highway Bridge Replacement and Rehabilitation Program for the year ended June 30, 2010. The City of Shellsburg's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Shellsburg's management. Our responsibility is to express an opinion on the City of Shellsburg's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Highway Bridge Replacement and Rehabilitation Program occurred. An audit includes examining, on a test basis, evidence about the City of Shellsburg's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Shellsburg's compliance with those requirements.

In our opinion, the City of Shellsburg complied, in all material respects, with the requirements referred to above that are applicable to the Highway Bridge Replacement and Rehabilitation Program for the year ended June 30, 2010. The results of our auditing procedures did not disclose any instances of non-compliance which would be required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the City of Shellsburg is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to the Highway Bridge Replacement and Rehabilitation Program. In planning and performing our audit, we considered the City of Shellsburg's internal control over compliance with requirements that could have a direct and material effect on the Highway Bridge Replacement and Rehabilitation Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Shellsburg's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there

can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Shellsburg and other parties to whom the City of Shellsburg may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

January 12, 2011

City of Shellsburg
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the Schedule of Expenditure of Federal Awards which was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) An unqualified opinion was issued on compliance with requirements applicable to the program.
- (c) The audit did not disclose any audit findings which would be required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (d) The program was CFDA Number 20.205 – Department of Transportation Highway Bridge Replacement and Rehabilitation Program
- (e) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (f) The City of Shellsburg did not qualify as a low-risk auditee

Part II: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

**CFDA Number 20.205: Federal Highway Administration
Pass-through Agency Number: 6-08-HBRR-05
Federal Award Year: 2009
U.S. Department Transportation
Passed through the Iowa Department of Transportation**

No matters were noted.

City of Shellsburg

Staff

This audit was performed by:

Gina E. Trimble, CPA, Manager